



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CUMBERLAND COUNTY SHERIFF**

Calendar Year 1999

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EXECUTIVE SUMMARY
CUMBERLAND COUNTY
JAMES PRUITT, SHERIFF
CALENDAR YEAR 1999
FEE AUDIT

Audit Opinion:

We have issued an unqualified opinion in our independent auditor's report. Our report contains the following comments or recommendations:

- Accurate Accounting Records Should Be Maintained By The Sheriff
- The Fiscal Court Should Fix The Maximum Amount Of Salary For Deputies And Assistants
- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$505,577 To Protect Deposits

Management Changes:

During our audit period, the Cumberland County Sheriff's office did not have any management changes.

Financial Statements:

For calendar year ending December 31, 1999, the Cumberland County Sheriff had receipts of \$158,378 and disbursements of \$100,593. Excess fees due to the fiscal court were \$4,087 and the sheriff paid \$4,718, leaving a refund due to the Sheriff's office in the amount of \$631.

Notes To Financial Statements:

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation. The depository institution did not have a written agreement with the County Sheriff until December 7, 1999 securing the Sheriff's interest in the collateral. However, as of December 2, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$505,577 of public funds uninsured and unsecured. The Sheriff obtained a \$800,000 written pledge of securities to protect deposits as of December 10, 1999.

The Sheriff had two bank notes outstanding in the amount of \$6,909 as of December 31, 1999, for the purchase of vehicles. The Sheriff was in compliance with the terms of the agreements as of December 31, 1999. We reserved \$6,909 on the financial statement in order for the Sheriff to have the funds available to pay off these notes with 1999 receipts. The Sheriff paid the balance of these notes during calendar year 2000.

The Sheriff also had a 36-month lease agreement for equipment. The balance of the lease principal and interest was \$969 as of December 31, 1999.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Donna Thurman Knight, Cumberland County Judge/Executive

Honorable James Pruitt, Cumberland County Sheriff

Members of the Cumberland County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Cumberland County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Donna Thurman Knight, Cumberland County Judge/Executive
Honorable James Pruitt, Cumberland County Sheriff
Members of the Cumberland County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- Accurate Accounting Records Should Be Maintained By The Sheriff's Office
- The Fiscal Court Should Fix The Maximum Amount Of Salary For Deputies And Assistants
- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$505,577 To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated July 18, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 18, 2000

CUMBERLAND COUNTY
JAMES PRUITT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Grants	\$	1,516
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State Fees For Services:

Finance and Administration Cabinet		1,866
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Circuit Court Clerk:

Sheriff Security Service	\$ 4,955	
Fines and Fees Collected	1,010	5,965

Fiscal Court		56,590
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County Clerk - Delinquent Taxes		1,079
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Commission On Taxes Collected		49,399
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Fees Collected For Services:

Auto Inspections	\$ 3,340	
Carrying Concealed Deadly Weapon Permits	1,680	
Serving Papers	3,830	8,850

Other:

Copies	\$ 45	
Adanta	1,222	
Auto Insurance	3,375	
Audit Reimbursement	1,732	
Miscellaneous	92	6,466

Interest Earned		724
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Borrowed Money:

State Advancement	\$ 15,528	
Bank Notes for Vehicles	10,395	25,923

Gross Receipts (Carried Forward)		\$ 158,378
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CUMBERLAND COUNTY
 JAMES PRUITT, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward)		\$	158,378
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	24,198	
Other Salaries		15,839	
KLEFPF Salaries		1,652	

Materials and Supplies-

Office Materials and Supplies		3,566	
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Auto Expense-

Maintenance and Repairs		8,970	
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Other Charges-

Adanta		102	
Audit Expense		1,583	
Postage		1,938	
Carrying Concealed Deadly Weapon Permits		1,680	

Miscellaneous		97	\$	59,625
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Capital Outlay-

Vehicles				13,717
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Debt Service:

State Advancement	\$	15,528	
Bank Notes		4,296	
Interest		518	20,342

Amount Reserved For Notes Payable - Vehicles (Note 4)				6,909
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Total Disbursements and Amount Reserved For Notes Payable - Vehicles				100,593
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Net Receipts		\$	57,785
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Less: Statutory Maximum			53,698
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Excess Fees Due County for Calendar Year 1999		\$	4,087
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Payments to County Treasurer:

April 25, 2000	\$	2,638	
May 17, 2000		1,040	
June 9, 2000		1,040	4,718

Refund Due Sheriff at Completion of Audit		\$	(631)
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The accompanying notes are an integral part of the financial statement.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board of committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. The depository institution did not have a written agreement with the County Sheriff until December 7, 1999 securing the Sheriff's interest in the collateral. However, as of December 2, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$505,577 of public funds uninsured and unsecured. The Sheriff obtained a \$800,000 written pledge of securities to protect deposits as of December 10, 1999.

Note 4. Notes Payable

The office of the County Sheriff is liable for a note payable to United Community Bank in the amount of \$3,567. Purpose of the note was the purchase of a 1992 Ford Crown Victoria. The note matures upon demand and the interest rate is 11 percent. The office of the County Sheriff is in compliance with the terms of the agreement as of December 31, 1999. The principal amount outstanding as of December 31, 1999 was \$2,304.

The office of the County Sheriff is liable for a note payable to United Community Bank in the amount of \$5,109. Purpose of the note was the purchase of two 1992 Ford Crown Victoria. The note matures upon demand and the interest rate is 10 percent. The office of the County Sheriff is in compliance with the terms of the agreement as of December 31, 1999. The principal amount outstanding as of December 31, 1999 was \$4,605.

We have reserved \$6,909 on the accompanying statement of receipt, disbursements, and excess fees in order for the Sheriff to have the funds available to pay off these notes. The Sheriff earned the funds necessary to pay both of the notes during calendar year 1999. The Sheriff paid the remaining balance of these notes during calendar year 2000.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 5. Lease

The office of the County Sheriff is committed to a lease agreement with First Government Leasing Company for equipment. The agreement requires a monthly payment of \$38.77 for 36 months to be completed on January 15, 2002. The total balance of the agreement is \$969 as of December 31, 1999.

Note 6. Grant

In 1996, the Sheriff was awarded a Community Oriented Policing Service Grant from the Department of Justice in the amount of \$22,405 to be expended over three years. As of January 1, 1999, the unexpended balance was \$394. During calendar year 1999, the Sheriff earned \$7 interest and expended grant funds totaling \$401. The account was closed during July 1999.

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COMMENTS AND RECOMMENDATIONS

CUMBERLAND COUNTY
JAMES PRUITT, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

STATE LAWS AND REGULATIONS:

1) Accurate Accounting Records Should Be Maintained By The Sheriff's Office

The Sheriff's cash receipts and cash disbursement ledgers did not include the loan proceeds received from local sources and the purchase of vehicles. Several adjustments had to be made for unposted and misclassified amounts. KRS 134.160(2) and the Uniform System of Accounts prescribed by the Department for Local Government requires the Sheriff's office to keep an accurate account of all monies received and disbursed. In order to maintain accurate records, voided check amounts should be removed from the disbursement ledger. We recommend that the individual earnings records be carefully maintained and agreed to all payroll reports and to each employee's W-2. We also recommend all receipts and disbursements be accurately posted to the respective ledgers and the ledgers be reconciled to monthly bank statements.

James Pruitt, Cumberland County Sheriff's Response:

No comment.

2) The Fiscal Court Should Fix The Maximum Amount Of Salary For Deputies And Assistants

The fiscal court is required by KRS 64.530(3) to fix annually the maximum amount, including fringe benefits, which the Sheriff may expend for deputies and assistants. The Sheriff is allowed to determine the number to be hired and the individual compensation of each deputy. We recommend the fiscal court annually adopt an order fixing the maximum salary limitation for the Sheriff's deputies and assistants.

James Pruitt, Cumberland County Sheriff's Response:

No comment.

3) The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$505,577 To Protect Deposits

On November 2, 1999, \$505,577 of the Sheriff's deposits of public funds in depository institutions was uninsured and unsecured. However, the Sheriff obtained \$800,000 of pledged securities to protect deposits as of December 10, 1999. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

James Pruitt, Cumberland County Sheriff's Response:

No comment.

CUMBERLAND COUNTY
JAMES PRUITT, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1999
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

The Sheriff should require that accurate accounting records be maintained. This is discussed above in comment number one.

PRIOR YEAR:

In the prior year, we reported that salary limitations should be fixed for Sheriff's deputies. This noncompliance has not been corrected and is commented on in the current year audit report.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Donna Thurman Knight, Cumberland County Judge/Executive
Honorable James Pruitt, Cumberland County Sheriff
Members of the Cumberland County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Cumberland County Sheriff's financial statement as of December 31, 1999, and have issued our report thereon dated April 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Cumberland County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations, included herein.

- Accurate Accounting Records Should Be Maintained By The Sheriff's Office
- The Fiscal Court Should Fix The Maximum Amount Of Salary For Deputies And Assistants

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cumberland County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations, included herein.

- Accurate Accounting Records Should Be Maintained By The Sheriff's Office

Honorable Donna Thurman Knight, Cumberland County Judge/Executive
Honorable James Pruitt, Cumberland County Sheriff
Members of the Cumberland County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is consider to be a material weaknesses.

- Accurate Accounting Records Should Be Maintained By The Sheriff's Office

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 18, 2000

